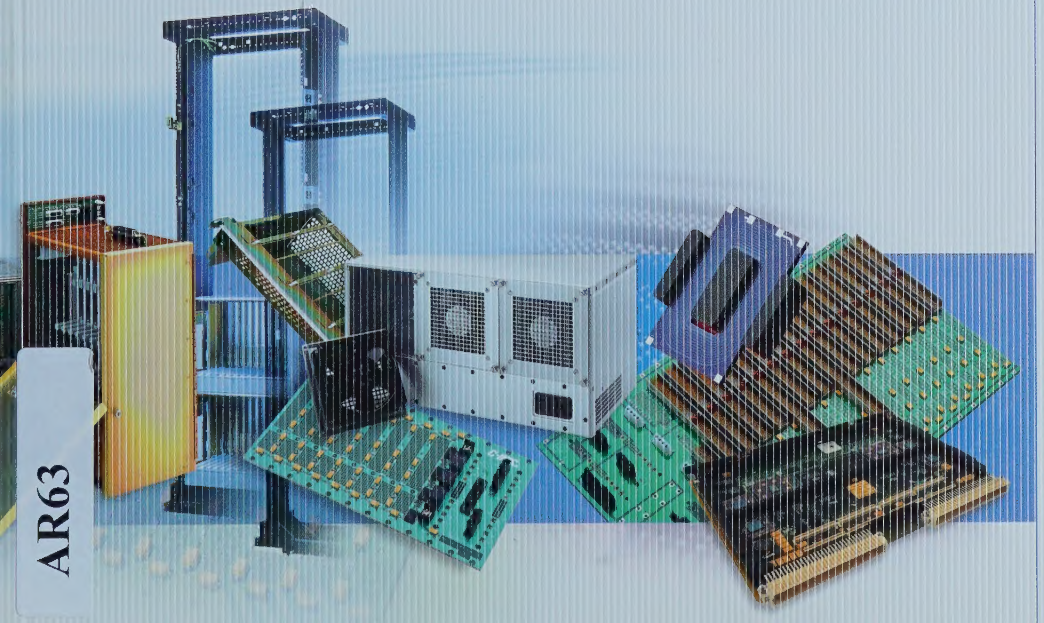
Annual Report 2000

C-MAC Industries Inc.



www.cmac.ca

Discover the Global Solution

Contents

Mission statement

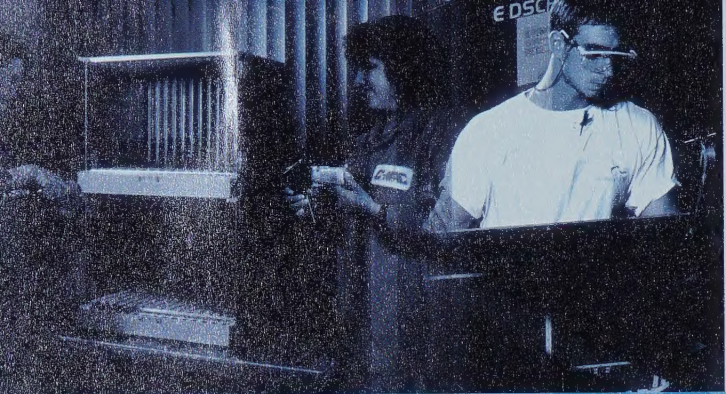
To be a world-class supplier of advanced, fully integrated total manufacturing and engineering solutions to the global electronics industry through partnerships with our customers and suppliers; enhanced with the skills and enthusiasm of our employees.

C-MAC at-a-glance

C-MAC is a leading internationally diversified designer and manufacturer of integrated electronic manufacturing solutions, from components to full systems, primarily serving the communications, transportation, instrumentation, defense and aerospace markets worldwide. C-MAC services include product design, supply-chain management, assembly and testing. C-MAC, headquartered in Montreal (Québec, Canada), employs more than 10,000 employees and operates 52 manufacturing facilities located in Belgium, Canada, China, France, Germany, India, Mexico, the United Kingdom, Ireland and the United States. C-MAC's manufacturing operations are supported by eight strategically located design centres in North America and Europe. C-MAC stock is traded on the Toronto Stock Exchange (CMS) and the New York Stock Exchange (EMS).

Web site address: www.cmac.ca

C-MAC
www.cmac.ca



Teamwork, Technology and Trust™

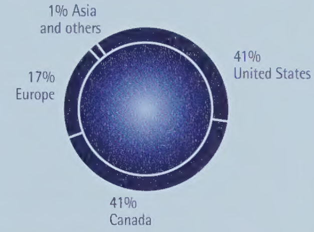
TEAMWORK

Financial Highlights

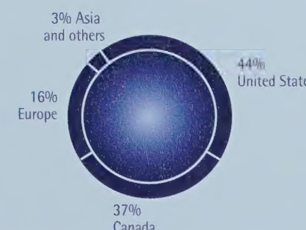
(In thousands of dollars, except per common share data)

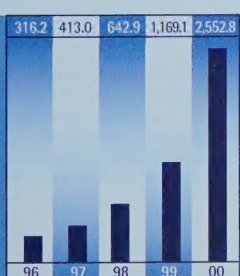
Fiscal years ended December 31	2000	1999	1998
Operating Results			
Revenue	**2,552,839**	1,169,097	642,983
Net earnings before goodwill amortization	**148,480**	49,032	26,760
Net earnings	**132,758**	45,172	25,418
Per Common Share (basic)			
Net earnings before goodwill amortization	**1.99**	0.82	0.51
Net earnings	**1.78**	0.76	0.49
Shareholders' equity (at year end)	**28.87**	8.81	5.00
Financial Position			
Working capital	**941,235**	324,907	190,207
Shareholders' equity (at year end)	**2,152,478**	527,251	261,383
Cash flow from operations	**196,759**	73,779	47,077
Selected Ratios			
Long-term debt to shareholders' equity (including instalments due within one year)	**0.14 for 1**	0.41 for 1	0.53 for 1
Return on weighted average shareholders' equity during the year	**11.45%**	14.75%	14.45%

2000
Revenue per Region
Shipped from

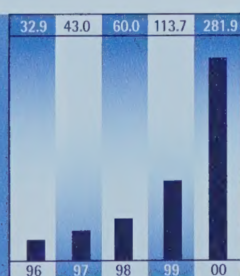


2000
Revenue per Region
Shipped to

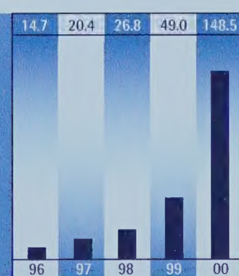




Revenue
(in millions of $)



EBITDA
(in millions of $)
Earnings before interest, taxes, depreciation and amortization



Net Earnings before Goodwill Amortization
(in millions of $)

Message to Shareholders

Building the ultimate provider of electronic manufacturing and related services

The year 2000 was another exceptional year for C-MAC. Our enduring commitment to teamwork, our focus on leading-edge technology and relationships of trust with our customers and partners allowed us to continue to grow at an accelerated pace. Of equal importance, we reached key milestones in furthering the deployment of C-MAC as a leading, world-class technology-based electronic manufacturing services provider. Combining strong internal growth with our selective acquisition program, we more than doubled our gross revenues to some $2.55 billion. In the face of a challenging year for publicly traded technology companies, we managed to complete our first equity issue in the U.S. and list on the New York Stock Exchange. The successful initiative expanded C-MAC's capital base and provided excellent shareholder value.

C-MAC operations, including those acquired in 1999 and whose results were recorded for a full year in 2000, grew organically at an annual rate of over 50%. This was attributable in part to the decentralized structure and selective vertical integration approach we adopted years ago.

The C-MAC edge

Thanks to the evolution of its relationships with its customers, its selective vertical integration strategy and acquisitions, C-MAC is now a world-class manufacturer of highly integrated complex systems. The combination of acquisitions and internal development has increased the range of value-added technologies, products and services such that C-MAC satisfies customers' expectations in key operational areas. These include reducing cycle time for product development, shrinking overall time-to-market, and expanding geographic reach to provide local support.

C-MAC has succeeded in becoming a supplier of choice for a broad range of electronic and electromechanical manufacturing solutions. Early in our history we focused on the communications industry, where original equipment manufacturers (OEMs), were already confronting global market forces and needed comprehensive manufacturing solutions, reliability, responsiveness and, obviously, competitive pricing. We met these expectations by developing close strategic alliances and partnerships with major customers, acquiring and developing the key technologies that allowed us to master and propagate best practices to meet our customers' stringent requirements.

As a consequence of C-MAC'S commitment to continuous improvement and cost reduction in process technology, manufacturing operations, management information systems and customer service, C-MAC is positioned to offer products at lower cost with shorter lead times. Now a global player with critical mass on several continents, C-MAC has the financial strength, full engineering support, manufacturing flexibility and solid supply base to further expand its services and become the sophisticated one-stop shop OEMs are seeking.

Huge market opportunities are opening for C-MAC, as OEMs continue to focus on their core business and shift toward outsourcing for their manufacturing operations, sometimes by spinning off their own facilities. They are tending to look at partners such as us for both upstream and downstream related services.

Upstream, our customers are looking for partners with stronger capabilities in R&D, specialized design and engineering services, prototyping and testing. We have vigorously responded to that trend and we now operate eight design centres, where more than 400 engineers are focusing on the design and packaging of electronic and electro-mechanical products, sub-systems and systems. This represents one of the industry's largest non-captive electromechanical design groups. Downstream, we are already involved in the just-in-time delivery of finished products to end-users, and we are preparing for the anticipated next wave of integration, which will likely include field operations such as equipment installation, maintenance, repair and servicing.

As members of the C-MAC family, our plants are treated as distinct profit centres and must meet the challenge of securing at least 60% of their revenues from external customers rather than from other C-MAC business units. This ensures that all units of the C-MAC group are subjected to the discipline of the market, being benchmarked against the best in the business and remaining focused on continuous improvement to stay competitive.

That approach will continue to be a key growth driver in a highly competitive market. Our facilities will pursue the development and implementation of cost-reduction programs, work at reducing cycle times for product development, and shrink overall time-to-market through concurrent engineering. Our culture further encourages management to make continuous improvements to organizational efficiency and productivity, thus enhancing profitability. Finally, it paves the way for optimized flexibility and capacity utilization, translating into better responsiveness to customers. This approach has been instrumental in making C-MAC a far more agile corporation.

Selective vertical integration in 2000

Several strategic acquisitions and one joint venture were completed during the year to strengthen our production capacity, add new technologies to our portfolio and increase our engineering skills. Acquisitions also enlarged and diversified our customer base.

By acquiring electronic manufacturing services provider A-Plus Manufacturing Corporation, we significantly reinforced our position in the networking industry and gave ourselves a strategic presence in Silicon Valley. It also positioned us to take full advantage of the growing RF Wireless market as well as the market for fibre optic network equipment. Supported by C-MAC's extensive capabilities, A-Plus will be able to broaden its range of customers and accelerate its growth plan.

C-MAC also strengthened its ability to serve OEMs active in the wireless industry by acquiring G.H.Z. Technologies Inc., a designer and manufacturer of passive microwave filters and other components, and T.Q.F. Technologie Inc., a related business that provides specialized plating of precious metal on various microwave and wireless components. These acquisitions augment C-MAC's capability in Low Temperature Co-fired Ceramic (LTCC) substrates, which is becoming the substrate technology of choice for many microwave circuit applications. Our ability to provide these critical enabling components enhances our value to our customers. It opens the door to penetration at the design-in phase of a program and permits us to add further value with RF assembly, system building and test.

We acquired certain Electronics Computer-Aided Design (ECAD), Electronic Systems Packaging (ESP), Product Integrity Engineering (PI) and Product Assurance (PA) activities from Nortel Networks. The transaction included the acquisition of equipment for diagnosis and testing in the United States, Canada and the United Kingdom. Associated employees were transferred together with existing contracts for the supply of products and design services to Nortel Networks.

At the end of the year, we also completed the acquisition of Honeywell Electronic Manufacturing Services, Inc., which operates a plant in Florida, United States, and of Honeywell EMS de Mexico, S.A. de C.V., which operates a plant in Juarez, Mexico. Those operations enhance our strategy to offer full systems solutions to both voice and data communications industry customers, as well as customers from the transportation industry.

C-MAC has also made spectacular progress in positioning itself in the transportation electronics industry, by acquiring Invotronics Mfg. from Magna International Inc. In doing so, C-MAC placed itself in a position to develop closer ties with Magna and to provide it with advanced electronics design and manufacturing expertise. In addition, we have acquired Kavlico Corporation, the largest independent supplier of precision sensors worldwide, which specializes in a broad array of technologies that have made it a leading technology-driven manufacturer of precision measurement and control devices and systems. Kavlico's interfacing sensors and communications links will create opportunities for C-MAC to expand its module and sub-system content in the automotive, industrial and aerospace markets.

With the acquisition of DY 4 Systems Inc., a global leader in Digital Signal Processor (DSP) technology, high-integrity embedded computing solutions were added to the product portfolio. The acquisition of DY 4 Systems Inc. allows C-MAC to add embedded intelligence into systems hardware, enabling them to perform highly complex functions.

The year 2000 also saw us form a second joint venture with Hong-Kong-based manufacturer Wong's Electronics (Holdings) Co., with which we have been operating a manufacturing facility in China since 1995. This time, through C-MAC Wong's Electronics Mexico S.A. de C.V., we have started the manufacturing of electronic systems and sub-assemblies in Mexicali, meeting the customers' needs for low-cost manufacturing solutions and once again demonstrating our commitment to providing our clients local support on a global basis.

The year 2000 was a year of consolidation and integration following the acquisitions of 1999. It was also a year of expansion and growth. We have made enormous progress in the implementation of our selective vertical integration strategy, putting together all the elements needed to pursue growth and strategic deployment. Motivated people and dynamic organization are in place to ensure cost-competitiveness and enhanced profitability. We have the design expertise, technologies, and processes to provide value across the supply chain, at the same time ensuring manufacturability of our customers' products and reducing their time to market. More than ever, we have a world-class organization and a great portfolio of assets that put us in a unique position to better serve our customers and add to our shareholders' value, two goals that we feel are intimately linked.

In addition to operational and strategic successes, the year 2000 was marked by important events related to our capital structure, which is of course very key to our future endeavors. We issued some 14.5 million common shares during the course of the year, through a public offering in Canada and an initial public offering in the United States. The latter led to our listing on the New York Stock Exchange in the third quarter. Net proceeds to the Company reached approximately $1.2 billion and are being used primarily to finance acquisitions, establish new facilities, as well as to finance capital expenditures and working capital. We closed the year with a very solid balance sheet that places us in a position to continue to play a dynamic role in the consolidation of our industry and stay at the forefront of technology.

Looking beyond: Our growth strategy

Our goal is to become recognized as a leading electronic manufacturing services provider of highly complex, high-margin products and services, using specialized technology and manufacturing capabilities to focus on client needs in high-growth market segments. Our strategy relies principally on the strengthening of relationships with existing customers. We are proud of our solid ties with the strongest players in the industry and we never cease to learn from these relationships. We know that understanding their particular challenges and requirements is the only way for us to define our own added value to them. We also realize that their business environment is dynamic. In some cases, we follow them into new geographical markets to provide local support. In others, we acquire or develop new specific capabilities to address their particular technology needs. In still others, we work with them to identify opportunities where C-MAC can provide further value at the critical design stage, at the systems integration stage and through improvements to the manufacturing process.

We are also committed to expanding our customer base. This will be achieved by leveraging our unique ability to address industries which have significant electronic manufacturing needs and to face strong market pressure for reduced costs and higher efficiency. We will concentrate on selected high-growth markets, including the communications equipment market and, more specifically, the rapidly growing optical networking sector. Using our expertise in communications circuit design, microcircuit fabrication, and innovative packaging, we will continue our expansion in the transportation electronics, industrial and aerospace markets. The integration of the expanded process and technology capabilities acquired in 2000 will be significant differentiators in this area.

We must also continue to expand our global presence, especially in Asia, Eastern Europe and South America, in order to provide comprehensive local support to global OEMs and be closer to end-users of our products. Such geographical expansion also places us in a position to take advantage of lower costs. Our goals will be achieved through acquisitions, the establishment of new facilities and joint ventures.

We remain focused both on rapid, sustainable growth and profitability. In summary, we will pursue growth only if it is accompanied by a clear opportunity to add value to customers, improve our margins, and provide shareholders with attractive returns.

Electronic manufacturing services: A growing industry

Market projections for the communications industry, which represents the bulk of our revenues, indicate strong growth for the next five years, driven by increasing demand for telecommunications bandwidth. The demand for data transmission capacity, especially Internet-related, is growing exponentially. The solution lies in significant investments in existing and new networks. Of equal importance, all industries featuring heavy electronic content are forecasting an increase in the outsourced work. OEMs want partners that have breadth and depth, both in terms of geography, technology and services, to help them meet their unique challenges. As a result, C-MAC is excellently positioned to continue leveraging growth opportunities in the communications industry.

One of our strategic objectives is to enlarge our market share in other industries that recognize the value of electronic manufacturing services, by dynamically applying the model we have developed in the communications market. This will be especially true in the transportation sector, where as the electronic content of cars increases, it is expected to be a critical component for differentiation for car manufacturers. Our acquisition strategy has positioned C-MAC with a comprehensive portfolio of leading-edge technologies, products, expertise, and capability to build on its current customer base. Existing partnerships with major OEMs and tier one suppliers (Ford, Chrysler, General Motors, Delphi, Siemens, Hella, Magna International) will be the foundations for this growth.

A word of thanks

Through growth and acquisitions, C-MAC had grown to more than 10,000 employees in 10 countries at year-end, working in 52 manufacturing facilities and eight strategically located design centres. In this challenging but very exciting time, I would like to thank each and every one of them for making 2000 a success. Through teamwork, technology and trust, we will continue to strive to be the best, to be proud of ourselves and of our company and to meet all the challenges that confront us. I would also like to extend my thanks to our customers and our suppliers, our partners in the value chain, and also to our Board of Directors, for their unfailing sense of responsibility and support, which has made an outstanding contribution to our successful growth.

Dennis Wood
Chairman of the Board
President and Chief Executive Officer

Teamwork, Technology and Trust™

TECHNOLOGY

Report on Operations

C-MAC has the financial strength, full engineering support, manufacturing flexibility and solid supply base to further expand its services and become the sophisticated one-stop shop OEMs are seeking.

A global, integrated organization

In its quest to become a one-stop-shop, value-added partner to key original equipment manufacturers (OEMs), C-MAC has developed an active presence at all levels of the design, engineering and manufacturing processes. In so doing, the Company has put together a unique platform that allows it to be extremely flexible and to meet all customers' needs. At year-end, C-MAC had 52 plants, supported by leading-edge Engineering, as well as Supply-Chain Management, representing a closely knit network offering world-class electronic manufacturing services

C-MAC's global sales and marketing organization is located in North America, Europe and Asia There are nearly 200 sales, marketing and customer service people, who are supported by global account executives and senior executives

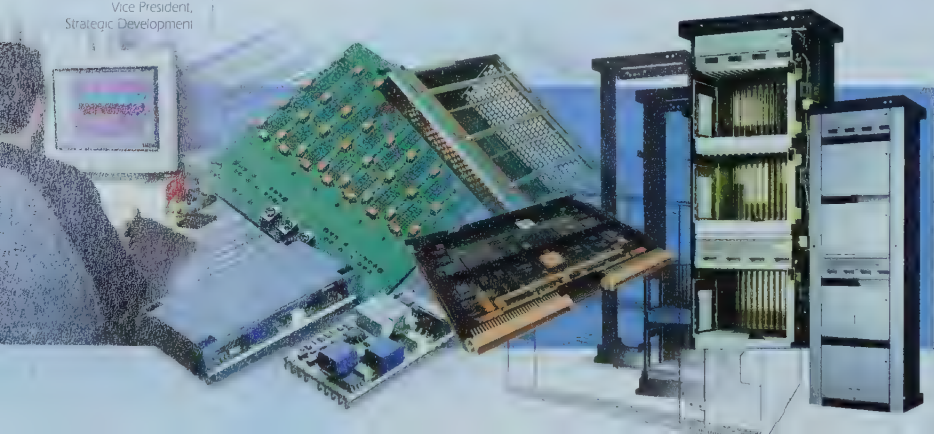
Engineering and Design

C-MAC Industries has made significant strides in continuing to offer differentiated Engineering and Design services to its customers. In the year 2000, C-MAC experienced a 400% growth in its Engineering Division alone, driven primarily through an expansion of engineering, design, and verification services brought on by customer demand. This expansion was achieved in part through a key acquisition from Nortel Networks of the majority of its world-class Product Integrity Engineering, Verification Testing, Materials Analysis and Electronic CAD capabilities. The addition of these services positions C-MAC Industries as a world leader in offering the full scope of Engineering, Design, Verification and Manufacturing services required to bring customers' product ideas to market

C-MAC Industries' expansion of its corporate engineering capabilities has enabled it to now offer the services of more than 800 engineering staff devoted to electronics design and related activities. This world-class resource is capable of taking on projects from the development of initial concepts and design through to the acquisition of product regulatory approvals and finally to cost-effective full production. Customer demand for these capabilities has led C-MAC to open Engineering offices in San Jose and Billerica in the United States, Montreal in Canada, and Kilroot in the United Kingdom, during the year 2000. These newly established offices further extend C-MAC's existing global engineering presence as the single largest non-captive engineering group in the industry focused on bringing value to its customers by delivering customized solutions.

One of the many Engineering services offered by C-MAC Industries to its customers is the cost reduction of their existing product lines Cross-functional engineering and manufacturing teams are assembled to review all aspects of product cost with a focus on minimizing the primary cost drivers. C-MAC customers have benefited from these activities by increasing their profitability through lower life-cycle product costs

Suzanne M. Gunther
Vice President,
Strategic Development



Peter Kielstra
Vice President, Engineering

C-MAC Industries' expansion of its corporate engineering capabilities has enabled it to now offer the services of more than 800 engineering staff devoted to electronics design and related activities.

C-MAC has also developed proprietary technologies and manufacturing processes that allow it to produce highly specialized and complex products, as well as to cost effectively enhance the design and manufacturing of some of its customers' products. C-MAC's Engineering Services continues its drive to bring premium design services to the market through initiating a Technology Development Thrust. The goal of this thrust is to separate C-MAC from other contract manufacturers by providing an ongoing and evolving set of market differentiating technologies. The focus of this technology development thrust will be to provide advanced technical solutions in advance of customer requirements with an aim to reduce the customer's time to market

C-MAC Industries' Global Quality Initiative continues to ensure that Engineering, Design, Verification and Manufacturing services are based upon a foundation of quality and a commitment to continuous improvement. Our ISO 9000 certified business systems, product development and manufacturing processes are tailored to align with customer-based quality systems and clearly focused on quality design and manufacturing in alignment with customer time-to-profit requirements. Our teams are also striving for C-MAC getting certified for other international standards, including QS9000

Electronic components

C-MAC manufactures and supplies standard to complex backplanes and high-performance, medium and high-density multilayer printed circuit boards (PCB). It is also a manufacturer of precision sheet metal products and an integrator of precision electromechanical products. In addition, it is a major supplier of interconnect products. In 2000 the Company addressed the need to expand its manufacturing facilities to address growing markets and to support new and existing customers. All operations, PCB fabrication, sheet metal fabrication, and backplane/enclosure assembly realized significant business advancements

The Greenville, South Carolina, plant provides complex, multilayer large-area backpanels, daughter cards and circuit packs for a variety of markets and applications. It has developed in-house high-tech product manufacturing technologies and acquired new equipment to broaden markets and increase market share. Throughout 2000, the performance of the Greenville PCB fabrication facility continued to show improvement in the reducing of manufacturing costs, while improving processes for better product yield. To this end 2000 saw the implementation of a new multilayer press, a SES (Strip-Etch-Strip) system and AOI (Automated Optical Inspection) equipment. All have had a direct, positive impact on throughput and product quality. Profitability was improved through a readjustment of the product portfolio mix from low layer count boards to higher density, more complex product with at least 14 layers Notwithstanding the business unit's position as a strategic supplier to a number of C-MAC divisions, it has grown significantly the number of outside major accounts served

C-MAC is a leading, ISO-certified manufacturer of precision sheet metal products and integrator of precision electromechanical products in plants located in Montreal (Canada) and South Ockendon (U.K.). This includes computer card cages, chassis, frames, indoor cabinets and outdoor enclosures for the electronics industry. The Company also provides the industrial equipment market with complex sheet metal sub-assemblies In 2000, C-MAC's Metaltek business unit significantly increased both its overall capacity and sales

Vice President
Electronic Components

In 2000 the Company addressed the need to expand its manufacturing facilities to address growing markets and the demands of its customers. All operations, PCB fabrication, sheet metal fabrication, and backplane/enclosure assembly realized significant business advancements.

A concerted effort was initiated at North American and European operations to broaden the added value the Company brings to customers. To this end, a number of new products were developed for many of the major telecom equipment companies including Cisco, Nortel/Teligent, Lucent, Marconi, Tyco/Cabletron, & NCR. To satisfy their need to design, develop and release new products to the market, C-MAC has implemented a unique value-added cell known as "SoFast". This service helps customers reduce time to market not only by assembling prototypes quickly, but also by verifying preliminary documentation and manufacturability In addition to expanding customer base, these new products and services have greatly strengthened business relationships with new and existing customers

Major growth in North American markets required expansion of operations. In Montreal a 46,000 sq. ft. facility was opened in Anjou, Quebec to focus on manufacturing of telecommunications shelves. This and other adjustments contributed to a 45% increase in sales, and provided sufficient capacity to accommodate future business opportunities from new customers.

To further insure that the Company is able to meet its customers' quality and delivery requirements it has also doubled its plating capacity. The environmentally friendly processes being utilized at the Techno-Spec site contribute to improved product performance

C-MAC's UK sheet metal operation in South Ockendon continues to grow at an unprecedented rate To address this growth the Company has made substantial efforts to expand its facilities and equipment capacities. The Company has been selected by two major telecom OEMs to develop and produce products for the optical network market segment. A 30,000 sq.ft. facility was purchased within the existing campus to expand its manufacturing into production cells or product focused teams thereby maximizing efficiencies, product throughput and enhancing operator skills and flexibility

C-MAC also pushed further its deployment in interconnect products. The Company individually assembles both backplanes and enclosures. These two components are integrated with power and thermal management systems to produce ready-to-run powered chassis used by electronic OEMs in a variety of markets. These products are a critical element in the Company's selective vertical integration strategy, providing an enabling bridge between the PCB and sheet metal fabrication operations and the system integration services provided by the EMS operations. This service is carried on in North America, South America, Europe and Asia. Again this year, many new products were introduced for major OEMs in telecom and other sectors and the West Palm Beach (Florida) plant continued to stand out as a center of excellence for this line of products

The West Palm Beach operation experienced a 75% increase in new product introductions from an ever expanding customer base that includes: Siemens, Paradyne, Qtera (now part of Nortel), Motorola, Springtide, Cisco, and Alcatel. Much of this new business is centered in the growing broadband market

CompactPCI is an open bus computer architecture adopted by many major OEMs in the telecom market, for their embedded computer applications. C-MAC's Packaging Systems engineering expertise in this area has allowed it to become the foremost provider of custom system solutions that incorporate CompactPCI as well as VMEbus.

While supporting large electronic OEMs, the Company continues to execute its marketing strategy of cultivating development relationships with smaller leading edge technology companies. These factors have contributed to C-MAC growth in this market segment and have allowed it to expand its markets to include process control and test/instrumentation. The business and technology synergy between this operation and the newly acquired DY 4 Systems Inc. will certainly contribute to substantial future growth

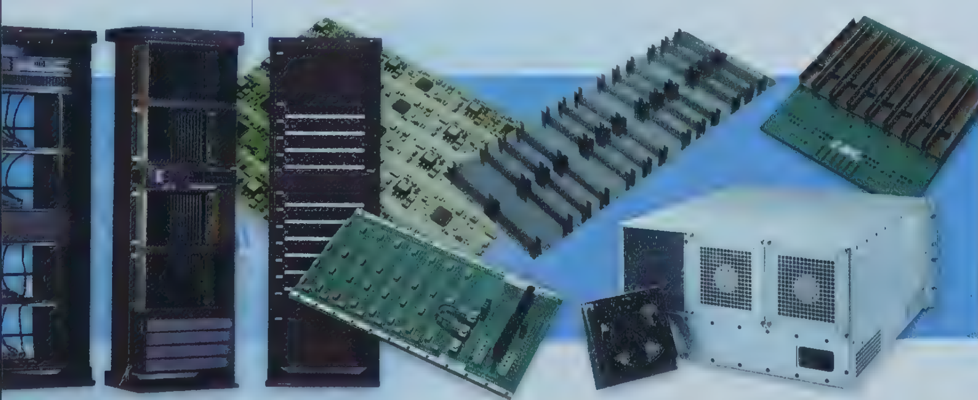
In addition to being a key internal supplier to C-MAC operations in Montreal, Quebec, and Cornwall, Ontario, the Sherbrooke facility has added significant engineering resources to accommodate several new product technologies In total more than 20 new products were introduced to support access, optical switching and transport telecom segments. As anticipated at the end of 1999, these programs involving next generation optical carrier systems contributed to this strong 2000. To ensure capacity and support in this future growth area, a new 56,000 sq.ft. building is being constructed in Sherbrooke

Europe has seen a similar growth in business Operations in Harlow, UK, have grown 40% during 2000. In all 22 new products were introduced last year not only in support of the optical carrier systems, but to win new customers in other regions of Europe. Products are now being shipped not only within the UK and to Ireland, but also to Israel, Poland, Spain, France and Russia

C-MAC customers in the Shanghai region and throughout the North of China are now being supported by the Company's second ISO registered facility located in Songjiang. Profitability was achieved in the first month and sales continue to exceed expectations. The needs of customers in South China and Asia Pacific have required further capacity expansion. A new facility for the joint venture in Huizhou has initiated efforts to support increasing backplane requirements and to accommodate frame integration services. This capability effectively opens the door for new sales opportunities with both domestic and foreign markets. The Company also increased its sales force in China

The Company also began providing local support to its global customers doing business in Brazil The South American market, particularly Brazil, holds enormous business potential

Into the new millennium, Electronic Components will continue to expand its products, broaden its customer base and develop new markets. New products and processes in support of optical switching technologies continue to be developed to ensure continued support in this strong market segment. Through the exchange of technology with acquired companies, the division will leverage its unique competencies to further penetrate the embedded computing applications within the communications, process control, avionics, test and instrumentation markets It will remain focused on the strategies that have made it successful, while investigating new approaches to advance its marketplace position



Electronic manufacturing services

Throughout the year, many OEMs saw growing interest in full-service systems integration and final testing on the part of their contract manufacturing partners. As a result, C-MAC's printed circuit board assembly operations are now under the same umbrella as its systems level manufacturing operations

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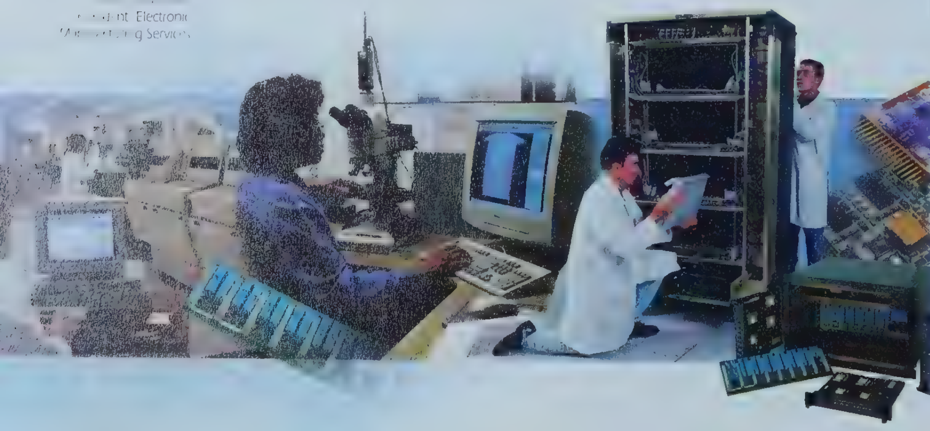
In 2000, exponential growth in the optical networking market and continued strength in voice telephony drove customer demand for additional manufacturing capacity and facilities were expanded.

Consequently, the Electronic Manufacturing Services division now includes a wide range of services translating in the delivery of the end product, including printed circuit board assembly, system and sub-system design, assembly and testing. The addition of printed circuit board assembly capability to the Company's existing systems integration expertise allows the electronic manufacturing operations to offer a seamless system solution to the OEM marketplace. It further strengthens C-MAC's selective vertical integration business model and addresses emerging customer requests for higher-level value-added services. Most significantly, it provides the platform for C-MAC to continue the solid growth it experienced in the past year

In 2000, exponential growth in the optical networking market and continued strength in voice telephony drove customer demand for additional manufacturing capacity and facilities were expanded. Diversification of the customer base has been a key objective and this year brought four major new customers, with the range of product/technology offerings expanded to include RF, DSL, ISP integration and optical networking.

With the acquisition of manufacturing services provider A-Plus Manufacturing Corporation in March, C-MAC significantly strengthened its position in the networking industry and gave itself a strategic presence in Silicon Valley. A-Plus focuses on complex, high-density and high-mix printed circuit board assembly and box-build solutions. It offers a complete range of manufacturing and value-added services that include design for manufacturability, order fulfillment and post-manufacturing support Over time, A-Plus has built solid relationships with established and emerging communications OEMs. It has also positioned itself to take full advantage of the growing RF Wireless market as well as the market for fibre optic networking equipment. A-Plus further collaborated with several semiconductor companies in qualifying their new chip-scale packages and developing corresponding surface-mount processes. C-MAC complements these capabilities with international marketing strength and its selectively vertically integrated strategy that provides customers with a total manufacturing solution. It is expected that this combination will generate higher-than-industry-average margins and that A-Plus customers will benefit from C-MAC's presence in Europe to secure integration services in that market. Backed by C-MAC's size and capabilities, A-Plus will also be able to broaden its range of customers and accelerate its growth plan



In December, the Company also completed the acquisition of Honeywell Electronic Manufacturing Services, Inc., with one plant in Florida, and of Honeywell EMS de Mexico, S.A. de C.V., with one plant in Juarez. These facilities bring a wide range of complementary technological capabilities to our portfolio, especially in RF, cellular, wireless and optical. They further enhance our strategy to offer full systems solutions to our communications industry customers.

The year 2000 also saw C-MAC form a second joint venture with Hong-Kong-based manufacturer Wong's Electronics (Holdings) Co., with which it has been operating a manufacturing facility in China since 1995. This time, through C-MAC Wong's Electronics Mexico S.A. de C.V., the Company has started the manufacturing of electronic systems and sub-assemblies in Mexicali, Mexico, meeting the needs of customers for low-cost manufacturing solutions and once again demonstrating our commitment to local support on a global basis

Brian H. Antell
Chief Operating Officer
President, MicroTechnology

With manufacturing facilities throughout North America, Europe and Asia, extensive design and development expertise and leading edge enabling technologies, C-MAC is now among world leaders in the supply of microelectronics components and solutions.

Microelectronics solutions

C-MAC Industries is a global manufacturer of advanced microelectronics modules, interconnect systems, frequency-control products, sensors and control devices that are key to its further penetration of the communications and transportation markets. In 2000 the Company reached strategic milestones in expanding and integrating its range of technologies to provide microelectronics solutions globally. With manufacturing facilities throughout North America, Europe and Asia, extensive design and development expertise and leading edge enabling technologies, C-MAC is now among world leaders in the supply of microelectronics components and solutions.

The strategy over the years has been consistent and based on first-class people, sound technology and global support for customers and markets. During the year, those capabilities expanded organically and through world-class acquisitions to provide technology-based products for the markets of tomorrow. C-MAC has continued to invest in training and development. With advanced design technology, product development and modern assembly investments, C-MAC faces the future confident in the knowledge that added-value integrated systems will develop on the strength of today's businesses

The strategic focus of positioning C-MAC to capitalize on market and competitive opportunities was exemplified in the frequency products sector. Responding to new demand for higher-frequency performance in support of the explosive growth in optical networks, new and exciting techniques were used to produce highly reliable, high-frequency products. The ever-increasing demands for improved frequency stability were met with a new range of internally developed temperature-compensation Application-Specific Integrated Circuits (ASICs) that positioned C-MAC's Temperature-Compensated Crystal Oscillators (TCXO) range of products as leading edge. Named Pluto, the tight-tolerance, 4th-order ASIC will enable the performance of miniature oscillators to be extended significantly. Patents, which will protect the innovative products far into this decade, have been applied for. Used in conjunction with new miniaturized crystals and flexible LTCC packaging from sister plants, C-MAC Frequency Products is bringing a new dimension to miniaturized high-performance oscillators

Next-generation Oven-Controlled Crystal Oscillators (OCXO) products and surface acoustical wave (SAW) oscillators were developed during 2000. These in turn will provide leading-edge solutions to compensate for stability drift and permit high performance up to 2.4GHz Microwave filters and diplexers were added to the frequency products range with the acquisition of G.H.Z. Technologies

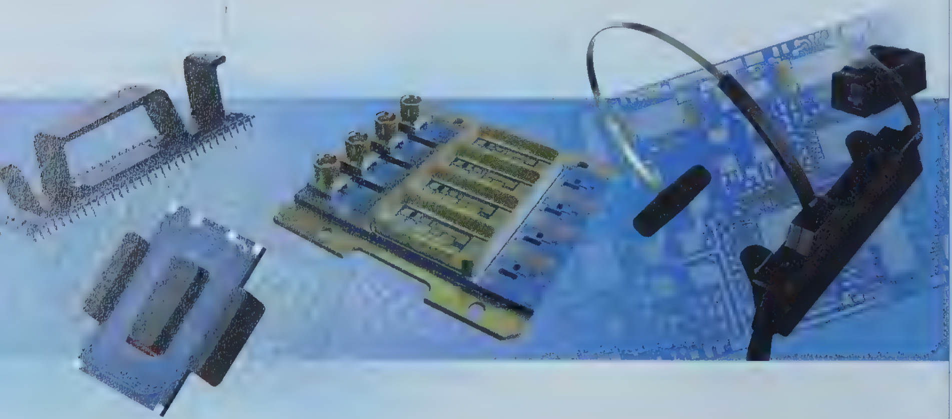
The combination of engineering design expertise, ASIC technology and advanced packaging provides integrated frequency product solutions not only as stand-alone components but as building blocks for tomorrow's in-house system products

Low-Temperature Co-fired Ceramic (LTCC) is the key enabling technology permitting high performance at competitive cost. This technology provides a combination of capabilities which range from high-temperature, highly vibration-tolerant substrates suitable for operating in automatic gear boxes to highly sophisticated, microwave module packaging. Success lies in understanding the materials that are available and the design criteria for embedding passives and lumped components to enhance performance and reduce size. With the aid of active substrates, the performance at high frequency can be adjusted by knowledgeable selection from a range of dielectric materials. The year 2000 saw the characterization of a number of materials over a broad range of frequencies

The growth of high-frequency optical networks has been supported not only by Frequency Products and LTCC but equally by the core competency in thick-film microcircuits. Expertise developed over the past 20 years as a supplier of advanced military high frequency and optical products provides the springboard for the optical initiatives.

In an industry that is in its infancy, the routing management of high-speed data requires new and unique designs and materials. Current construction techniques limit assembly to highly manual operations. By focusing on current manufacturing constraints in an innovative industry, C-MAC is addressing short and longer-term needs of the high frequency and optical module markets (10-40 GHz).

With the development of advanced substrates, subassemblies and active modules for immediate market applications, C-MAC is building relationships with major players in optical network solutions.



This will be extended progressively towards highly integrated modules which incorporate processes and techniques that address the high-speed requirements of both assembly and signal routing

These skills, when applied in conjunction with the highly flexible LTCC technology, gives technology and product roadmaps extending beyond the mid-point of the decade. This positions C-MAC to satisfy the demands for bandwidth in broadband Internet applications of today and tomorrow.

With the acquisition of Invotronics from Atoma, a division of Magna International Inc., C-MAC entered the area of body and safety electronics. A powerful suite of new products, including specialized actuators, body electronic controllers and switches, positions Invotronics as a leading supplier of sunroof controls, power sliding doors/lift-gate controllers, driver interface switches and integrated electronic modules. This portfolio of products is state-of-the-art, supported by "anti-pinch" technology, comprehensive design and program management skills. Invotronics is the strategic electronic partner to Magna International Inc. and will support its growing requirements for electronic solutions.

Kavlico Corporation, acquired in November 2000, is recognized globally as a producer of the broadest non-captive range of sensors available. The company is a leading technology-driven manufacturer of precision measurement and control devices.

John Naismith
Executive Vice President
Global Supply Chain Management

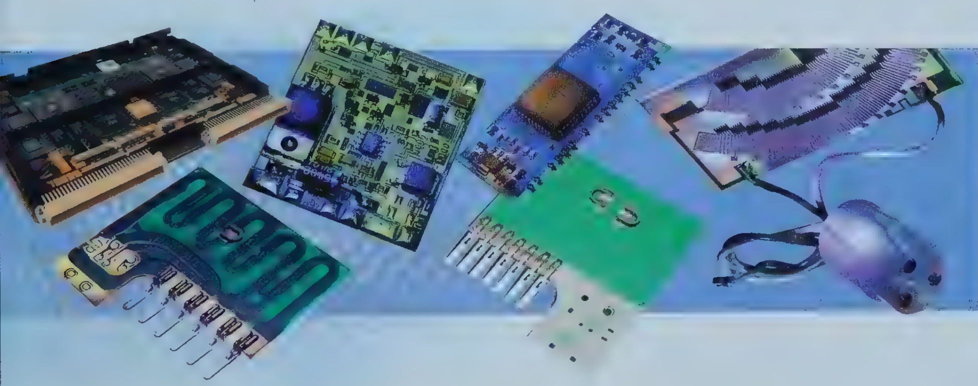
C-MAC maintains and evolves its supply-chain process in response to the need for continued improvement in supply-chain synchronization and inventory management.

It designs, manufactures and markets a comprehensive line of high-performance sensors, including pressure, force, position and multifunctional sensors which are integral to the performance of advanced electronic systems in the automotive, industrial and aerospace industries. With capacative ceramic, silicon piezo resistive, electromechanical (LVDT, RVDT) and state-of-the-art micro-machined silicon sensors (MEMS), Kavlico brings significant market diversification and a broad product range for applications in automobiles, trucks, diesel engines, aircraft controls and military fighting vehicles.

The acquisition of DY 4 Systems Inc. in November 2000 integrated the capability of the world's leading provider of high-integrity, high-performance processing solutions for real-time open systems-embedded applications. With significant investments in R&D, the Company has developed and manufactured a broad base of leading-edge-technology computer modules and subsystems. Utilizing COTS (commercial off-the-shelf) processes such as power PC and C6X, DY 4 has a strong position in military markets. Combined with C-MAC's electromechanical, advanced packing and high-volume manufacturing expertise, DY 4's high-integrity capabilities for harsh environments and Data Signal Processing (DSP) technology will accelerate its strategic expansion into the rapidly growing communications and Internet markets.

In 2000, C-MAC also reinforced its ability to serve OEMs active in the wireless industry by acquiring G.H.Z. Technologies Inc., a designer and manufacturer of passive microwave filters and other components, and T.Q.F. Technologie Inc., a related business that provides specialized plating of gold and silver on various microwave and wireless components. These acquisitions complement C-MAC's capability in LTCC substrates, which are becoming a substrate material of choice for many microwave circuit applications. C-MAC's ability to provide these critical components, which are often in limited supply, enhances its value to its customers, especially in the introduction stages of new products, and adds further value to our increasing activity in RF assembly, system building and testing.

C-MAC has progressively invested in the longer-term future. Investments in NAVOX, a company which has developed a distinctive, world-leading simultaneous voice and data (SVD) communications product, is a prime example of such investment. C-MAC invested in 1996 with a long-term market vision of Telematics and Convergence. The NAVOX product is patented and represents the only solution today for SVD. As such, it has excited the leaders in telematics, navigation systems and emergency call centres.



Supply-chain management

In a context of providing customers with uninterrupted, just-in-time delivery of their products, as well as evening out the peaks and valleys of demand in any one market, C-MAC has always paid a lot of attention to supply-chain management. As a worldwide player with critical mass, C-MAC is also putting itself in a position to fully leverage economies-of-scale that are key to lowering manufacturing costs. Services include materials procurement, inventory management, logistics, packaging, global distribution, after-market support and refurbishment. The Company has a centralized management resource-planning system to orchestrate procurement, inventory and order status and allows access to some of this information to its customers on a real-time basis

C-MAC also provides logistics-management, packaging and distribution capabilities to customers. These capabilities enable the Company to offer its customers delivery either to the point of use or to a finished-goods warehousing location where products can be configured, labelled and packaged for final distribution. C-MAC is already gearing itself to meet the next wave of OEMs' needs, which include delivery to end-users, installation and maintenance. Investment continues to be made to ensure C-MAC maintains and evolves its supply-chain process in response to the need for continued improvement in supply-chain synchronization and inventory management. Organizational alignment has been achieved in support of corporate goals, thus ensuring effective execution at the individual plant level.

During this past year, the Company has continued to evolve and strengthen its supply-chain capabilities, specifically with regard to transitioning its largest customers' supply base in response to increased demands for optical products. This was achieved while maintaining a cost-competitive posture and best-in-class customer serviceability. As a result of established relationships, C-MAC was able to avoid the majority of issues related to component shortages. Global supply agreements and partnerships have been secured with a world-class group of suppliers.

Social responsibility

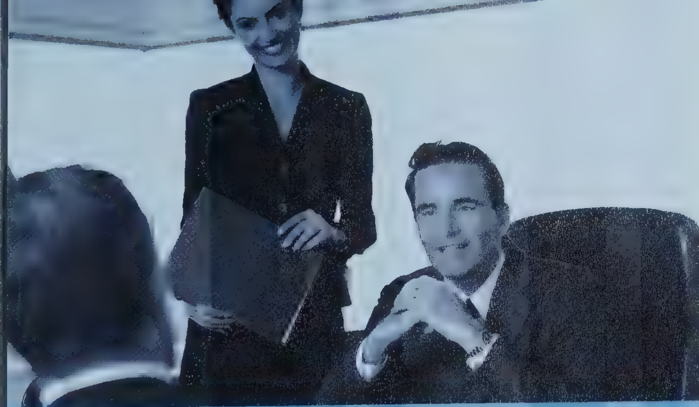
Safety and health of employees figure prominently among C-MAC's concerns. The Company invests time, effort and money in creating and maintaining pleasant and safe environments in its facilities. C-MAC also remains committed to the broader community by adopting responsible behavior in environmental protection, contributing to educational and health-care institutions and also by promoting the arts.

C-MAC hosts many junior college and university students who come to its facilities to deepen their knowledge through paid and unpaid on-the-job training. In addition to corporate donations to several educational foundations, C-MAC also encourages its employee contributions to colleges and universities by matching their gifts, thereby recognizing the importance of higher education.

On the health-care front, C-MAC contributes to various institutions and foundations active in different fields, such as the Montreal Heart Institute Research Fund, the Montreal Children's Hospital Foundation, La Fondation de l'Hôpital La Providence de Magog, St Clares Hospice (UK), La Maison Aube-Lumiere (hospices for cancer patients) and the Butters Foundation for the intellectually handicapped. And of course, C-MAC assists a number of human-services agencies through the United Way.

C-MAC recognizes the importance of arts to society and supports endeavors in several areas. The Company contributes to Les concerts symphoniques de Sherbrooke, the Orford Arts Centre, the Orchestre métropolitain de Montréal and the Internationale du cinéma de l'Estrie. C-MAC also supports the Fondation des Jeux du Québec.

C-MAC adopted an environmental policy in 1995. Since then, each facility has implemented continuous-improvement and control practices aimed not only at ensuring rigorous respect for environmental legislation but also at promoting waste prevention and minimization, as well as recycling.



Teamwork, Technology and Trust™

TRUST

Management's Discussion and Analysis

Claude Michaud
Vice President
and Chief Financial Officer

Combining strong internal growth with our selective acquisition program, we more than doubled our revenue to some \$2.55 billion.

Revenue

C-MAC's consolidated operating revenue increased from \$1.17 billion as of December 31, 1999 to \$2.55 billion as of December 31, 2000. This 118% increase is attributable to internal growth and consolidation of revenues from facilities acquired in 2000

This growth in revenue impacted the Corporation's net earnings, which rose from \$45.2 million in 1999 to \$132.8 million in 2000, an increase of 194%. Net earnings before goodwill amortization increased by 203% from \$49.0 million in 1999 to \$148.5 million in 2000. The increase in profitability is a result of increased volume in almost all of our manufacturing units, improved profitability in our existing facilities and the year 2000 acquisitions.

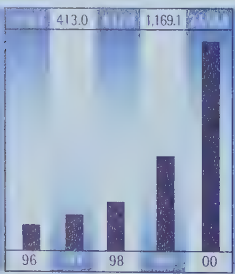
Geographic Distribution of revenue

Shipped From:

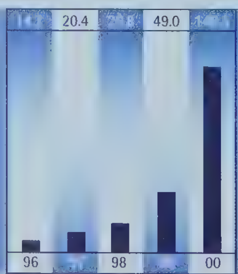
In 2000, sales generated in Canada amounted to \$1,393.4 million compared to \$350.7 million in 1999. Of this 2000 amount, \$874.9 million represents the domestic market, while \$167.8 million was exported. Sales originated from the United States, represented \$1,050.4 million compared to \$604.4 million in 1999. In Europe, our revenues reached \$443.7 million in 2000 compared to \$248.2 million in 1999. In Asia and other countries, our sales increased to \$16.0 million in 2000 compared to \$10.9 million in 1999.

Shipped To:

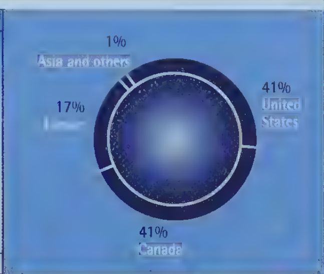
Canadian sales amounted to \$936.9 million constituting 37% of total revenue in 2000 compared to 317.7 (27% of revenue) in 1999. USA sales reached \$1,130.1 million in 2000, representing 44% of total revenue compared to \$585.8 million (50% of revenue) in 1999. Sales to European clients were \$405.5 million in 2000 representing 16% of total revenue compared to \$221.3 million in 1999 (19% of revenues).



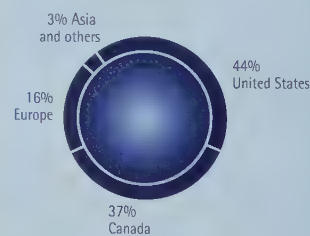
Revenue
(in millions of \$)



Net Earnings before Goodwill Amortization
(in millions of \$)



2000 Revenue per Region
Shipped from



2000 Revenue per Region
Shipped to

Order Book

The order book of deliverables for the upcoming year as at December 31, 2000 was $1,400 million, an increase of 180% in comparison to the 1999 figure of $500 million.

Gross Margin

The Corporation's gross margin increased from 17.0 % in 1999 to 17.1% during the fiscal year. Eventhough EMS product, which is typically a lower margin business, represented a larger percentage of revenue. The improvement throughout the year was a result of improved productivity, increased capacity utilization and acquisitions.

The Corporation is doing what is necessary to achieve one of its main goals, namely increasing its profit margins.

Amortization

Amortization costs amounted to $44.1 million in 2000 (1.7 % of revenue) compared to $22.8 million in 1999 (2.0 % of revenue). In addition, the Corporation had a goodwill amortization (net of income tax) of $15.7 million, compared to $3.9 million in 1999. Amortization expense increased year-over-year mainly due to acquisitions and significant investments in capital assets.

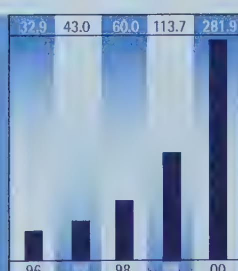
Provision for Income Taxes

Provision for income taxes totaled $79.8 million or 34.9% of earnings before income taxes, non-controlling interest and goodwill amortization in fiscal 2000; this represents a decrease of 0.6% as compared with 1999.

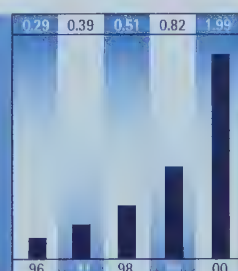
Earnings

Earnings before interest, taxes, depreciation and amortization (EBITDA) reached $281.9 million or 11% of revenue in 2000, as compared with $113.7 million or 9.7% of revenue in 1999 representing growth of 148%. Such an improvement in the EBITDA margin is the result of selling and administration expenses decreasing from 5.8 % of revenue in 1999 to 4.5% in 2000 due to investments made in past years and additional volume. The improvement observed in 1999 continued into 2000. Net earnings increased by $87.6 million to reach $132.8 million (or $1.78 per basic common share), as compared with $45.2 million (or $0.76 per basic common share) in 1999, representing growth of 194% or 134% per share.

Net earnings before goodwill amortization increased by $99.5 million to $148.5 million or 203%. On a basic per-share basis, earnings before amortization increased from $0.82 in 1999 to $1.99 in 2000 representing a growth of 143%.



EBITDA
(in millions of $)
Earnings before interest, taxes, depreciation and amortization



Net Earnings before Goodwill Amortization
($ per basic common share)

Liquidity and Capital Resources

Cash from earnings increased to $196.8 million (or $2.64 per basic common share), as compared with $73.8 million (or $1.23 per basic common share) in 1999, reflecting an increase in earnings and amortization during the year. Cash from earnings allowed the Corporation to meet capital expenditures of $148.9 million in 2000

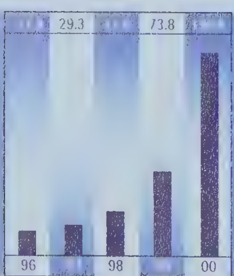
In June and August 2000, the Corporation issued 14.5 million shares. Net proceeds of $1.2 billion were used to fund acquisitions made during the year ($892.1 million) and working capital needs of different companies ($381.0 million).

Thus, as at December 31, 2000, the Corporation had working capital of $941.2 million and a current ratio of 2.75. At the end of 1999, working capital was at $324.9 million and the current ratio was 2.08. Cash, cash equivalents and short-term investments as at December 31, 2000, were $213.5 million.

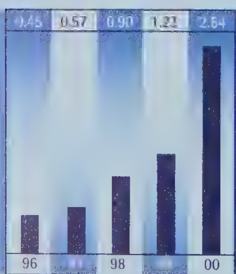
The Corporation has unsecured revolving credit of US$355.0 million, of which only CAN$115.1 million was used as of December 31, 2000. It has also set up second ranked debentures for US$110 million maturing in 2008. Consequently, C-MAC's debt to total capital ratio was 12.4% at year-end. Thanks to its cash resources, unused portion of its credit facility, low debt and capacity to generate cash from operations, the Corporation is well positioned to pursue its internal growth and acquisitions strategy, as well as to improve its profitability.

Shareholders' Equity

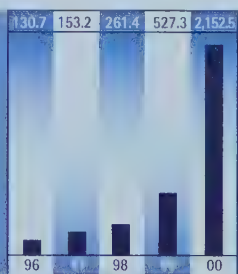
As at December 31, 2000, shareholders' equity was $2,152.5 million. Return on weighted average shareholders' equity was 11.5%, compared with 14.8% the previous year. The decrease is mainly due to the fact that additional capital raised during the year significantly increased shareholders'equity but did not have sufficient time to have a full contribution to the results.



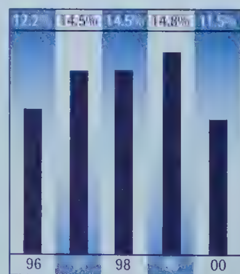
Cash from Earnings
(in millions of $)



Cash from Earnings
($ per basic common share)



Shareholder's Equity
(in millions of $)



Return on Weighted Average Shareholders'Equity

Risks and Uncertainties

Although revenue from other sectors is expected to gradually increase, sales in the communications sector will continue to constitute the source of most of the Corporation's revenue over the next few years.

Accelerated growth in the new telecommunication networks worldwide is resulting in increased demand for the Corporation's products. If this trend were to reverse, the Corporation's revenues from telecommunications products could be negatively affected.

The highly competitive communications industry is marked by rapid technological change, new product development, high–speed obsolescence, and product evolution.

Moreover, competition in pricing is very strong. To consolidate strengths in responding appropriately to competition in this climate, the Corporation must maintain its capacity to reduce production costs. Pressure on prices will remain high in the coming years.

The Corporation's sales are somewhat dependent on the production level of a few North American OEMs, which are in turn sensitive to the strength of the economy. Adverse changes in the economy could have a negative impact on the Corporation's financial results. On the other hand, the Corporation is not highly dependent on its suppliers, because it generally uses raw materials available from a number of sources.

The Corporation presents its financial statements in Canadian dollars. Given that it operates facilities in ten countries and draws 63% of its revenue from abroad, it could be adversely affected by exchange rate fluctuations. To manage exchange rate risks, in the course of normal operations it concluded forward currency exchange contracts. Most of these are in place till the year 2001. Note 9 in the Consolidated Financial Statements provides details.

The Corporation policy is, to the extent possible, to finance foreign investments with local currency, which creates a natural hedge. However, in the course of business, the Corporation has regular access to floating and fixed-rate financing. Even though 60% of the Corporation's total revenue derives from several divisions of a major multinational, management is of the opinion that the attendant risks are not great. The multinational in question deals in a great variety of technologies and products and its divisions are autonomous as to supply

Consolidated Financial Statements of

C-MAC Industries Inc.

Years ended December 31, 2000 and 1999

Contents

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of C-MAC Industries Inc. are the responsibility of management and are approved by the Board of Directors of C-MAC Industries Inc.

These financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles and include amounts that are based on best estimates and judgments.

Management of the Company, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains systems of internal accounting controls. Management believes that the systems of internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee, consisting solely of outside directors. The Audit Committee reviews the Company's annual consolidated financial statements and formulates the appropriate recommendations to the Board of Directors. The auditors appointed by the shareholders have full access to the Audit Committee, with and without management being present.

These financial statements have been examined by the auditors appointed by the shareholders, KPMG LLP, chartered accountants, and their report is presented hereafter.

Dennis Wood
Chairman and Chief Executive Officer

Claude Michaud
Vice-President and Chief Financial Officer

Montréal, Canada
January 31, 2001

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of C-MAC Industries Inc. as at December 31, 2000 and 1999 and the consolidated statements of earnings and retained earnings and cash flows for each of the years in the three-year period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2000 in accordance with Canadian generally accepted accounting principles.

Canadian generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in the United States. Application of generally accepted accounting principles in the United States would have affected results of operation for each of the years presented and the financial position as at December 31, 2000 and 1999 to the extent summarized in note 15 to the consolidated financial statements.

KPMG LLP

Chartered Accountants

Montréal, Canada
January 31, 2001

C-MAC Industries Inc.

Consolidated
[illegible]
[illegible]
[illegible]

December 31,
2000 and 1999

	2000	1999
Assets		
Current assets:		
Cash and cash equivalents	$ 203,242	$ 160,773
Short-term investments	10,287	–
Trade receivables, net of an allowance for doubtful accounts of $7,908 and $2,045, respectively	635,296	249,728
Income taxes receivable	9,959	2,303
Inventories (note 4)	571,549	190,853
Future income taxes (note 11)	33,515	14,623
Prepaid expenses	14,838	6,582
	1,478,686	624,862
Capital assets (note 5)	395,477	188,030
Goodwill, net of accumulated amortization of $25,954 and $6,927, respectively	1,098,365	230,540
Other assets	24,100	10,526
Future income taxes (note 11)	33,340	7,545
	$ 3,029,968	$ 1,061,503

C-MAC Industries Inc.

Consolidated Balance Sheets (in thousands of Canadian dollars.)

December 31, 2000 and 1999

	2000	1999
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 287,130	$ 214,014
Accrued payroll	52,790	13,429
Other accrued liabilities	122,956	45,971
Income taxes payable	67,228	22,336
Current portion of long-term debt	7,347	4,205
	537,451	299,955
Long-term debt (note 6)	298,667	209,156
Other liabilities	17,657	13,194
Future income taxes (note 11)	21,049	9,652
Non-controlling interest	2,666	2,295
Shareholders' equity:		
Share capital (note 7)	1,880,702	391,696
Retained earnings	267,637	134,879
Cumulative translation adjustment	4,139	676
	2,152,478	527,251
Commitments and contingencies (note 8)		
Canadian and United States accounting differences (note 15)		
	$ 3,029,968	$ 1,061,503

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Dennis Wood

Director

André J. Boutin

C-MAC Industries Inc.

Consolidated Statements of Earnings and [illegible]

Years ended December 31, 2000, 1999 and 1998

	2000	1999	1998
Revenue	$ 2,552,839	$ 1,169,097	$ 642,983
Operating expenses:			
Cost of goods sold	2,115,505	970,701	525,504
Selling and administrative	113,969	67,482	44,620
Research and development	41,463	17,196	12,852
Amortization of capital and other assets	44,070	22,844	11,841
Earnings from operations	237,832	90,874	48,166
Financial expenses, net (note 10)	9,187	13,589	6,099
Earnings before income taxes, non-controlling interest and goodwill amortization	228,645	77,285	42,067
Income taxes (note 11):			
Current	80,362	28,523	6,733
Future	(583)	(1,124)	8,574
	79,779	27,399	15,307
Non-controlling interest	386	854	–
Net earnings before goodwill amortization	148,480	49,032	26,760
Goodwill amortization, net of income taxes of $3,305, $1,015 and $350, respectively	15,722	3,860	1,342
Net earnings	132,758	45,172	25,418
Retained earnings, beginning of year	134,879	89,707	64,958
Premium on redemption of common shares	–	–	(669)
Retained earnings, end of year	$ 267,637	$ 134,879	$ 89,707
Earnings before goodwill amortization per share:			
Basic	$ 1.99	$ 0.82	$ 0.51
Diluted	$ 1.95	$ 0.80	$ 0.49
Earnings per share:			
Basic	$ 1.78	$ 0.76	$ 0.49
Diluted	$ 1.74	$ 0.74	$ 0.47
Weighted average number of outstanding common shares (in thousands)			
Basic	74,558	59,830	52,082
Diluted	76,726	62,336	54,361

See accompanying notes to consolidated financial statements.

C-MAC Industries Inc.

Consolidated Statements of Cash Flows (in thousands of Canadian dollars)

Years ended December 31, 2000, 1999 and 1998

	2000	1999	1998
Cash flows from operating activities:			
Net earnings	$ 132,758	$ 45,172	$ 25,418
Adjustments to reconcile net earnings to cash flows from operating activities:			
Capital asset amortization	40,948	21,258	11,650
Goodwill amortization	19,027	4,875	1,692
Other assets amortization	3,122	1,586	191
Deferred financing costs amortization (note 10)	1,089	1,202	248
Future income taxes	(583)	(1,124)	8,574
Non-controlling interest	386	854	–
Other	12	(44)	(696)
Cash from earnings	196,759	73,779	47,077
Net change in operating assets and liabilities, net of acquisitions (note 14)	(380,997)	(60,631)	(10,004)
Cash flows from (used in) operating activities	(184,238)	13,148	37,073
Cash flows from financing activities:			
(Decrease) increase in bank indebtedness	(19,439)	(50,027)	12,755
Repayment of long-term debt	(99,529)	(142,020)	(13,820)
Increase in long-term debt	167,639	196,667	124,359
Redemption of common shares	–	–	(781)
Issuance of common shares	1,270,934	183,849	77,395
Share issue expenses	(58,802)	(8,106)	(3,114)
Cash flows from financing activities	1,260,803	180,363	196,794
Cash flows from investing activities:			
Additions to capital assets	(148,863)	(40,028)	(18,453)
Business acquisitions, net of cash and cash equivalents (note 3)	(892,097)	(131,386)	(115,595)
Increase in other assets	(14,721)	(235)	(4,991)
Other	(400)	(901)	45
Cash flows used in investing activities	(1,056,081)	(172,550)	(138,994)
Impact of changes in exchange rates on cash balances	21,985	(7,853)	5,940
Net change in cash and cash equivalents	42,469	13,108	100,813
Cash and cash equivalents, beginning of year	160,773	147,665	46,852
Cash and cash equivalents, end of year	$ 203,242	$ 160,773	$ 147,665
Supplemental cash flow information:			
Cash paid during the year:			
Interest	$ 21,647	$ 19,222	$ 8,180
Income taxes	66,764	6,901	4,637
Cash received during the year:			
Interest	21,688	7,472	2,239

See accompanying notes to consolidated financial statements.

C-MAC Industries Inc. ("C-MAC or the "Company") is incorporated under the *Canada Business Corporations Act*. It provides a comprehensive portfolio of electronic manufacturing services (EMS) and solutions for original equipment manufacturers (OEMs) worldwide. C-MAC focuses on complex, high-margin products and services, ranging from components to full system assembly and test, as well as design supply chain management services. C-MAC primarily serves the rapidly growing global communications equipment market. In addition, C-MAC provides solutions for the automotive electronics, aerospace and instrumentation markets.

The Company's accounting policies are in accordance with accounting principles generally accepted in Canada and, except as indicated in note 15, are in all material respects in accordance with accounting principles generally accepted in the United States.

1. **Significant accounting policies:**

(a) Principles of consolidation:

The consolidated financial statements include the accounts of C-MAC Industries Inc. and all its subsidiaries. All significant intercompany balances and transactions have been eliminated.

(b) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the following: useful lives of assets for amortization, evaluation of possible impairment of certain assets, determination of assets acquired and liabilities assumed in a purchase combination, provision for income taxes and the determination of fair value of financial instruments. Financial results as determined by actual events could differ from those estimates.

1. Significant accounting policies (continued):

(c) Cash and cash equivalents and short-term investments:

Cash equivalents are highly liquid investments purchased with an original maturity of less than three months. Short-term investments are investment grade short-term debt instruments with original maturities greater than three months. Short-term investments are valued at the lower of cost and market value. The carrying value of these investments approximates their fair value due to their short maturity.

(d) Inventory valuation:

Finished goods and goods in process are valued at the lower of cost, which includes materials, labor and applicable manufacturing overhead, or net realizable value, and raw material is valued at the lower of cost or replacement cost. Cost is determined using the first in, first out method.

(e) Capital assets:

Capital assets are stated at cost. Cost represents the cost of acquisition or construction, including preparation and testing charges and financing costs incurred with respect to the capital assets until the beginning of commercial production.

Amortization is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20 to 40 years
Leasehold improvements	Term of lease
Machinery and equipment, furniture and fixtures	3 to 10 years

1. **Significant accounting policies (continued):**

(f) Goodwill:

Goodwill represents the excess of the purchase price over the fair value of net identifiable assets of the businesses acquired at the time of their acquisition and is amortized on a straight-line basis over the estimated useful life of fifteen to twenty-five years. The Company monitors its goodwill balances to determine whether any impairment of these assets has occurred. Where circumstances or events indicate a possible inability to recover the outstanding amount of goodwill related to a business acquisition, the Company evaluates and adjusts as necessary, on an undiscounted basis, the cash flows of underlying businesses, which gave rise to the goodwill. No such events or circumstances have occurred during the year.

(g) Foreign currency translation:

Financial statements of self-sustaining foreign operations are translated using the current rate method. Adjustments arising from this translation are deferred and recorded under a separate heading of shareholders' equity and are included in income only when a reduction in the investment in these foreign operations is realized.

Foreign currency transactions are translated using the temporal method. Translation gains and losses are included in income, except for unrealized gains and losses arising from the translation of long-term monetary liabilities which are deferred and amortized over the remaining life of the related item.

1. Significant accounting policies (continued):

(h) Revenue recognition:

The Company recognizes revenue from manufacturing services at the time of product shipment. Where appropriate, provisions are made at that time for estimated warranty and return costs.

(i) Research and development:

Research and experimental development expenditures are charged to earnings, net of related research and development tax credits, in the year in which they are incurred.

(j) Defined Contribution Pension Plan:

The Company has defined contribution pension plans for certain of its employees. The Company's contributions, which are principally based on a percentage of employee's annual base compensation, are charged against earnings as incurred.

(k) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Future tax assets and liabilities are recognized for future consequences attributable to differences between the financial statement carrying values of certain assets and liabilities and their respective tax bases. When necessary, a valuation allowance is recorded to reduce tax assets to an amount for which realization is more likely than not. The effect of changes in tax rates is recognized in the period in which the rate change occurs.

(l) Share option:

The Company has a share option plan, which is described in note 7. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

1. Significant accounting policies (continued):

(m) Financial instruments:

Financial instruments are accounted for at their historical cost, which, unless otherwise indicated, is approximately equal to their fair value.

The following accounting policies are used for derivative financial instruments:

(i) Fixed interest rate agreements:

Interest differentials created by the utilization of fixed interest rate agreements are amortized over the duration of the agreements.

(ii) Foreign exchange forward contracts and currency swap agreements:

The Company uses foreign exchange forward contracts and currency swap agreements as a hedge against foreign cash flows, for raw materials and equipment purchases and for revenues from sales transactions in foreign currencies. These transactions are accounted for at the exchange rates of the related contracts.

2. New accounting pronouncement:

Effective January 1, 2000, the CICA changed the accounting standards relating to accounting for income taxes.

The CICA's new standard, under Section 3465, on accounting for income taxes adopts the liability method of accounting for future income taxes. Under the liability method future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

Prior to adoption of this new accounting standard, income tax expense was determined using the deferral method. Under this method, deferred income tax expense was determined based on "timing differences" (differences between the accounting and tax treatment of items of expense or income), and were measured using the tax rates in effect in the year the differences originated. Certain deferred tax assets, such as the benefit of tax losses carried forward, were not recognized unless there was virtual certainty that they would be realized.

(Tabular amounts are expressed in thousands of Canadian dollars.)

2. New accounting pronouncement (continued):

The Company has adopted the new income tax accounting standard and has applied the provisions of the standard retroactively to January 1, 1993. The cumulative effects on consolidated balance sheets of this change of accounting for income taxes as of December 31, 1999 and 1998 are as follows:

	1999	1998
Reduction of capital assets	$ 2,812	$ 2,905
Increase to goodwill	2,416	219
Increase to share capital	3,422	1,066
Increase to future income tax asset, formerly the deferred income tax assets	3,824	3,752

The consolidated financial statements for each of the years ended from December 31, 1993 to December 31, 1999 have been restated to comply with the provisions of Section 3465. The impact of applying Section 3465, on net earnings and earnings per share for each of the years ended mentioned above has been minimal.

3. Business acquisitions:

2000 acquisitions:

(a) Les Placages Techno-Spec Inc. (Canada):

In January 2000, the Company acquired all assets of Les Placages Techno-Spec Inc. for a total consideration of $24,000,000, including the issuance of 140,848 common shares for $8,000,000. Les Placages Techno-Spec Inc. located in Montreal, Quebec specializes in electro-plating operations and technologies.

(b) A-Plus Manufacturing Corp. (USA):

In March 2000, the Company acquired 100% of A-Plus Manufacturing Corp. for a cash consideration of $166,015,000. A-Plus Manufacturing Corp., a California-based company, provides the Company with mid-volume printed circuit board assembly ("PCBA") operations and a diversified portfolio of PCBA customers, primarily in the telecommunications and networking industries.

3. Business acquisitions (continued):

2000 acquisitions (continued):

(c) G.H.Z. Technologies Inc. and T.Q.F. Technologie Inc. (Canada):

In July 2000, the Company acquired 100% of G.H.Z. Technologies Inc., a St-Laurent, Quebec based designer and manufacturer of microwave filters, for an aggregate consideration of $44,566,000, of which $30,566,000 was paid in cash and the balance through the issuance of 165,308 common shares of the Company.

In July 2000, the Company also acquired 100% of T.Q.F. Technologie Inc., a St-Laurent, Québec based plating company, for an aggregate consideration of $5,500,000 paid in cash.

(d) Invotronics Mfg. (Canada):

In September 2000, the Company acquired Invotronics Mfg., a unit of Magna International Inc., which designs, engineers and manufactures electronic body controller, electro-mechanical systems and intelligent switches for the automative industry, for an aggregate cash consideration of $93,513,000.

(e) DY 4 Systems Inc. (Canada):

In November 2000, the Company acquired 100% of DY 4 Systems Inc., a Ottawa-based high technology company, which specializes in the design and manufacture of high-end VME open architecture computer systems, for a total consideration of $228,479,000 paid by the issuance of 3,023,320 common shares.

(f) Kavlico Corporation (USA):

In November 2000, the Company acquired 100% of Kavlico Corporation for a cash consideration of $535,291,000. Kavlico Corporation, a California-based company, is the world's largest independent supplier of precision sensors. Kavlico Corporation designs, manufactures and markets a comprehensive line of high performance sensors, including pressure, force, position and multifunctional sensors which are integral to the performance of advanced electronics systems in the automative, industrial and aerospace industries.

(g) Honeywell Electronics Manufacturing Services, Inc. (USA) and Honeywell EMS de Mexico, SA (Mexico):

In December 2000, the Company acquired 100% of Honeywell Electronics Manufacturing Services, Inc., which operates a plan in Melbourne, Florida, and Honeywell EMS de Mexico, SA de C.V., which operates a plant in Juarez, Mexico, for an aggregate cash consideration of $63,008,000. The range of product offered include RF, cellular, wireless and optical products.

3. Business acquisitions (continued):

1999 acquisitions:

(a) R&M Metaltek inc. (Canada):

In January 1999, the Company acquired 100% of R&M Metaltek inc. for a total consideration of $10,978,000, including the issuance of 160,000 common shares for $2,024,000 and excluding the assumption of debts. R&M Metaltek inc. is a leading North American manufacturer of metal enclosures.

(b) Scrantom Engineering Inc. (USA):

In March 1999, the Company acquired 100% of Scrantom Engineering Inc. for a total consideration of $2,400,000 before a contingent consideration of a maximum of $4,690,000 based on future earnings until 2002. Any additional consideration will be recorded as an increase to goodwill. Scrantom Engineering Inc. is a provider of low temperature co-fired ceramic manufacturing, or LTCC processes.

(c) C-MAC GmbH Villingen (Germany):

In April 1999, the Company acquired a division of Deutsche Thomson-Brandt located in Villingen Germany for a total consideration of $7,507,000. C-MAC GmbH Villingen is a provider of low temperature co-fired ceramic manufacturing, or LTCC processes.

(d) C-MAC Kanata Inc. (Canada):

In July 1999, the Company acquired, for a consideration of $11,174,000, a manufacturing facility and related inventory of SR Telecom Inc., located in Kanata, Ontario. Concurrently, the Company entered into a five-year supply agreement under which SR Telecom Inc. subcontracted the manufacture of a number of its products to the Company.

(e) LG Technologies Group Inc. (Canada):

In September 1999, the Company acquired 100% of LG Technologies Group Inc., a Montreal-based electro-mechanical systems assembly and printed circuit board assembly company, for a total consideration of $43,325,000 paid by the issuance of 2,334,928 common shares.

3. **Business acquisitions (continued):**

1999 acquisitions (continued):

(f) C-MAC Networks (Canada & Ireland):

In September 1999, the Company acquired certain assets of a division of Nortel Networks Corporation ("Nortel") in Monkstown associated with the electro-mechanical assembly design and manufacturing operations of Nortel's carrier business for a total consideration of $74,843,000. Concurrently, the Company entered into a three-year outsourcing arrangement with Nortel covering all of its electro-mechanical assembly of its optical network equipment.

(g) Blue Star Engineering Ltd. (United Kingdom):

In October 1999, the Company acquired a 100% interest in Blue Star Engineering Ltd. for a total consideration of $36,774,000 including the issuance of 604,440 common shares for $11,590,000. Blue Star Engineering Ltd. is a leading European manufacturer of metal enclosures and accessories.

1998 acquisitions:

(a) Compagnie d'Électronique et de Piézo-Électricité (CEPE) and SAS-Argenteuil S.A. (France):

In January 1998, the Company acquired a 100% interest in Compagnie d'Électronique et de Piézo-Électricité (CEPE) and in SAS-Argenteuil S.A. for a total consideration of $3,127,000, excluding the assumption of debts. Compagnie d'Électronique et de Piézo-Électricité (CEPE) is a designer and a manufacturer of high technology frequency products.

(b) IQD Limited (United Kingdom):

In February 1998, the Company acquired a 100% interest in IQD Limited for a total consideration of $9,278,000. IQD Limited is a reseller and a manufacturer of frequency products.

(c) C-MAC Networks Systems (USA):

In July 1998, the Company acquired the Nortel Creedmoor Facility for a total consideration of $81,759,000. The Creedmoor Facility designs and manufactures various parts in addition to assembling and testing frames and cabinets.

(d) Carolina Circuits (USA):

In December 1998, the Company completed the acquisition of the facility of Carolina Circuits for a total consideration of $26,595,000. Carolina Circuits designs and manufactures high density, high layer-count circuit boards.

(Tabular amounts are expressed in thousands of Canadian dollars.)

3. Business acquisitions (continued):

These acquisitions were accounted for using the purchase method. Aggregate details of acquisitions are as follows:

	Years ended December 31, 2000	1999	1998
Assets acquired:			
Current assets (i)	$ 336,140	$ 96,408	$ 45,215
Capital assets	103,330	42,910	44,181
Goodwill	899,211	174,928	59,101
Other assets	3,089	456	304
Future income taxes	3,135	8,254	9,003
	1,344,905	322,956	157,804
Liabilities assumed:			
Bank indebtedness	16,980	19,473	893
Other current liabilities	132,646	77,942	34,439
Long-term debt	21,426	31,804	629
Other liabilities	10,102	6,736	1,084
Future income taxes	3,379	–	–
	184,533	135,955	37,045
Net assets acquired at fair value	$ 1,160,372	$ 187,001	$ 120,759
Consideration:			
Cash	$ 910,113	$ 130,062	$ 115,595
Common shares	250,259	56,939	–
Notes payable (ii)	–	–	5,164
	$ 1,160,372	$ 187,001	$ 120,759

(i) Current assets include cash and cash equivalents of $19,376,000 for the year ended December 31, 2000.

(ii) Of this amount, $1,360,000 and $1,324,000 has been paid throughout 2000 and 1999, respectively.

While the Company has not yet finalized some of the 2000 purchase price allocations, the excess of the cost over the market value of the net assets acquired is estimated to $899 million.

4. Inventories:

		2000		1999
Raw materials	$	398,003	$	117,863
Goods in process		108,114		52,669
Finished goods		65,432		20,321
	$	571,549	$	190,853

5. Capital assets:

				2000		
		Cost		Accumulated amortization		Net book value
Land	$	17,331	$	–	$	17,331
Buildings		67,663		10,365		57,298
Leasehold improvements		19,553		2,481		17,072
Machinery and equipment		295,562		76,570		218,992
Furniture and fixtures		53,340		16,771		36,569
Projects in progress		48,215		–		48,215
	$	501,664	$	106,187	$	395,477

				1999		
		Cost		Accumulated amortization		Net book value
Land	$	13,472	$	–	$	13,472
Buildings		48,426		7,164		41,262
Leasehold improvements		10,417		1,708		8,709
Machinery and equipment		146,685		41,280		105,405
Furniture and fixtures		22,028		11,872		10,156
Projects in progress		9,026		–		9,026
	$	250,054	$	62,024	$	188,030

(Tabular amounts are expressed in thousands of Canadian dollars.)

6. Long-term debt:

	Interest rate as at December 31, 2000	Interest rate as at December 31, 1999	Maturity	2000	1999
Revolving bank credit (a)	7.07%	6.09%	2004	$ 115,065	$ 45,246
Debentures (b)	6.65% and 7.95%	6.65 % and 7.55%	2008	164,945	158,763
Other debts	Various	Various	Various	26,004	9,352
				306,014	213,361
Current portion of long-term debt				7,347	4,205
				$ 298,667	$ 209,156

Installments on long-term debt for the next five years are as follows:

2001	$ 7,347
2002	4,416
2003	3,522
2004	3,033
2005	1,428

(a) The Company has at its disposal revolving bank credit facilities totalling US$355 million. The credit agreements contain restrictions, including the obligation to maintain certain financial ratios.

The revolving bank credit facilities bear interest at variable rates based on Libor and/or Bankers Acceptance rates for periods varying generally from one to three months.

(b) Debentures of US$110 million, maturing December 31, 2008, redeemable at the option of the issuer on a yearly basis, starting December 31, 2003.

7. Share capital:

Authorized:

Unlimited number of shares without par value:

Common shares, voting and participating

Preferred Class "A" shares, non-voting, non-participating, redeemable at the Company's option at paid-up capital amount or at market value of the consideration received at issuance.

Preferred Class "B" shares, 12% non-cumulative dividend, non-voting, non-participating, redeemable at the Company's option at paid-up capital amount or at market value of the consideration received at issuance.

Preferred Class "C" shares, issuable in series, non-voting, ranking prior to the common shares but subordinated to the preferred Class "B" shares with respect to dividends and to the preferred Class "A" and "B" shares with respect to return of capital on dissolution or liquidation of the Company. The Board of Directors is authorized to establish, before issuance, the designation, rights, privileges, conditions and restrictions of each series of shares.

	2000	1999
Issued and fully paid:		
86,249,229 common shares (1999 - 67,583,930)	$ 1,880,702	$ 391,696

Some of the Company's loan agreements contain restrictions on the payment of dividends in certain circumstances.

All the common share and option information has been restated to give effect to the two-for-one stock split that occurred January 14, 2000.

During the year ended December 31, 2000, the Company issued 3,329,476 common shares as consideration for the business acquisition detailed in note 3. In June and August 2000, the Company issued 3,000,000 and 11,500,000 common shares, respectively, through public offerings. Throughout the year, the Company also issued 835,823 common shares through the exercise of stock options. The proceeds amounted to $1,238,747,000, net of share issue costs of $32,187,000 (net of income taxes of $26,615,000).

(Tabular amounts are expressed in thousands of Canadian dollars.)

7. Share capital (continued):

During the year ended December 31, 1999, the Company issued 3,099,368 common shares as consideration for the business acquisitions detailed in note 3. As well, the Company issued 6,000,000 common shares following a public offering and 259,186 common shares through the exercise of stock options, for proceeds of $178,099,000, net of share issue costs of $5,750,000 (net of income taxes of $2,356,000).

The Company established a common share option plan for certain employees, officers and directors of the Company and its subsidiaries. Under the plan, options to purchase a maximum of 6,780,000 of the Company's shares (5,000,000 in 1999) may be granted at the Board of Directors' discretion. These options must be exercised within a maximum period of ten years.

Year of grant	Subscription price (in dollars)	Number of options outstanding 2000	1999
1995	$1.750	–	414,620
1996	$2.625 to $3.025	446,086	683,090
1997	$5.575	347,200	429,338
1998	$9.000 to $12.500	376,640	416,468
1999	$12.300 to $29.850	703,638	792,500
2000	$37.750 to $57.000	360,100	–
2000	$70.750 to $109.750	410,060	–
		2,643,724	2,736,016

The number of outstanding stock options varied as follows:

	2000	1999
Balance at beginning of year	2,736,016	2,251,708
Granted	786,960	811,500
Exercised	(835,823)	(259,186)
Cancelled	(43,429)	(68,006)
Balance at end of year	2,643,724	2,736,016

7. **Share capital (continued):**

The following table summarizes information about stock options outstanding at December 31, 2000:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$2.625 to $3.025	446,086	5.206	$2.760	446,086	$ 2.760
$5.575	347,200	6.300	5.575	347,200	5.575
$9.000 to $12.500	376,640	7.290	11.477	250,842	11.477
$12.300 to $29.850	703,638	8.405	15.282	204,172	14.733
$37.750 to $57.000	360,100	9.298	56.840	–	–
$70.750 to $109.750	410,060	9.753	83.097	–	–
	2,643,724			1,248,300	

8. **Commitments and contingencies:**

(a) Leases:

As at December 31, 2000, the Company had commitments for a total amount of $69,372,000 under operating leases for buildings, machinery and equipment. Minimum lease payments for the next five years and thereafter are as follows:

2001	$ 12,961
2002	11,335
2003	8,849
2004	7,572
2005	7,502
Thereafter	21,153

8. Commitments and contingencies (continued):

(b) Environment:

The Company is subject to various laws, regulations and government policies relating to health and safety, to the generation, storage, transportation, disposal and environment emissions of various substances, and to environment protection in general. The Company believes it is in continuing compliance with such laws, regulations and government policies, in all material respects. Furthermore, the Company does not anticipate that the continuing compliance with such environmental statutes will have a material adverse effect upon the Company's competitiveness or consolidated financial position.

9. Financial instruments:

(a) Credit risk:

The Company does not have a significant exposure to any individual customer or counterpart, except as mentioned in note 12. The Company, in the normal course of business, reviews each new customer's credit history and financial statements before extending credit and performs regular reviews of its existing credit performance. The Company may require letters of credit or obtain credit insurance coverage.

(b) Foreign exchange and interest rate risks:

The Company generates significant cash flows in foreign currency and is therefore exposed to risks relating to foreign exchange fluctuations. It is also subject to risks relating to interest rate fluctuations. In order to reduce these risks, the Company may use derivative financial instruments, which are not held or issued for speculative purposes.

Foreign exchange fluctuations:

This risk pertaining to excess foreign currency cash flows is partly covered with forward exchange contracts and a currency swap agreement. The amounts of outstanding contracts at December 31, 2000, presented by currency, are the following. These amounts represent the global monetary value on which each contract is based and not the financial risk nor the claim related to certain assets of the Company and, therefore, are not included in the financial statements.

9. Financial instruments (continued):

(b) Foreign exchange and interest rate risks (continued):

Currency (sold/bought)	Notional amount in foreign currency	Average rate	Maturity
Forward exchange contracts:			
December 31, 2000			
USD/CAD	93.5 million	1.5172	March 28th, 2002
GBP/CAD	0.4 million	2.3670	September 28th, 2001

Currency swap agreement:

On December 12th, 2000, the Company entered into a currency swap agreement with a financial institution whereby it sold US$ 26,181,437 at a rate of 1.5278 for CA$40,000,000 and agreed to repurchase US$ 26,203,734 at a rate of 1.5265 against CA$40,000,000 on January 16th, 2001.

(c) Fair value of financial instruments:

The carrying value of cash equivalents, short-term investments, trade receivables, accounts payable, accrued payroll and other accrued liabilities approximates their fair value because of the near maturity of these instruments. The carrying value of long-term debt bearing interest at variable rates approximates its fair value because effective rates represent the rates that should be used to calculate their fair value. Financial instruments having a fair value different from their carrying value are the following:

	2000		1999	
	Carrying value	Fair value	Carrying value	Fair value
Foreign exchange contracts and currency swap agreement	$ –	$ 1,186	$ –	$ 929
Debentures	164,945	158,819	53,660	45,289

(Tabular amounts are expressed in thousands of Canadian dollars.)

9. Financial instruments (continued):

(c) Fair value of financial instruments (continued):

Fair value is based essentially on discounted cash flows. Market quotes as at period-end of similar instruments having the same maturity were used.

10. Financial expenses, net:

	2000	1999	1998
Interest on long-term debt	$ 25,005	$ 11,242	$ 6,439
Deferred financing costs amortization	1,089	1,202	248
Interest on bank indebtedness and others	5,762	6,650	1,932
	31,856	19,094	8,619
Interest income	22,669	5,505	2,520
	$ 9,187	$ 13,589	$ 6,099

11. Income taxes:

Income tax expense differs from the amounts computed by applying the combined federal and provincial tax rate of 38 percent to pretax income as a result of the following:

	2000	1999	1998
Basic income tax rate	38.0%	38.0%	38.0%
Increase (decrease) of the income tax rate arising from the following items:			
Manufacturing and processing profits deduction	(2.9)	(2.8)	(2.8)
Foreign income taxed at higher rate	1.3	0.5	0.6
Others	(1.5)	(0.2)	0.6
Effective income tax rate	34.9%	35.5%	36.4%

thousands of Canadian dollars.)

11. Income taxes (continued):

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at December 31, 2000 and 1999 are presented below:

	2000	1999
Future tax assets:		
Trade receivables	$ 4,910	$ 4,312
Inventories	5,361	4,955
Capital assets	502	2,079
Accrued and other liabilities	25,757	10,888
Share capital	30,036	3,423
Non-capital losses and other tax deductions carryforwards	20,844	16,156
Total gross future tax assets	87,410	41,813
Less valuation allowance	(20,555)	(19,645)
Future tax assets, including a current portion of $33,515 and $14,623, respectively	66,855	22,168
Future tax liabilities:		
Capital assets	17,960	8,628
Other assets	2,989	945
Other	100	79
Total future tax liabilities	21,049	9,652
Net future tax assets	$ 45,806	$ 12,516

During the year ended December 31, 2000, the valuation allowance was increased by $910,000 due to unrecognized tax benefits of $2,200,000 resulting from operating losses during the year, offset by a reduction of $1,290,000 due to subsequently recognized future tax assets in purchase price allocation of prior year's business acquisitions.

During the year ended December 31, 1999, the valuation allowance was increased by $3,676,000 due to unrecognized future tax assets amounting to $2,081,000 in purchase price equations resulting from business acquisitions and to unrecognized tax benefits of $1,595,000 resulting from operating losses during the year.

(Tabular amounts are expressed in thousands of Canadian dollars.)

11. Income taxes (continued):

Subsequently recognized tax benefits relating to the valuation allowance for future tax assets as of December 31, 2000 and 1999 will be allocated as follows in future years:

	2000	1999
Income tax benefit that would be reported in the consolidated statement of earnings	$ 3,974	$ 1,774
Goodwill and other non-current intangible assets	16,581	17,871
	$ 20,555	$ 19,645

At December 31, 2000, the Company and its subsidiaries have non-capital losses and other tax deductions carryforwards of $57,187 which are available to offset future taxable income. Losses will expire as follows:

	Canada	United States	Other countries
2003	$ –	$ –	$ 1,354
2004	–	–	3,734
2005	30	1,616	2,204
2006	369	397	931
2007	4,143	–	–
2010	–	471	–
2018	–	2,143	–
2019	–	892	–
2020	–	4,302	–
Without expiration	248	–	34,353
	$ 4,790	$ 9,821	$ 42,576

The Company has not recognized a future tax liability for the undistributed earnings of its subsidiaries that arose in 2000, 1999 and prior years because the Company currently does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future. A future tax liability will be recognized when the Company expects that it will recover those undistributed earnings in a taxable manner.

11. Income taxes (continued):

In assessing the ability to realize future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management believes that it is more likely than not that the Company will realize its future tax assets.

12. Major customer:

For the years ended December 31, 2000, 1999 and 1998, approximately 60%, 62%, and 55%, respectively, of the Company's sales were derived from a telecommunications company.

13. Segmented information:

The Company's operations fall into one dominant industry segment, the Electronics Manufacturing Services (EMS) Industry, where it serves its major customers on a global basis. Accordingly, the Company is viewed by its management as a global provider of manufacturing services to its customers. Evaluations are not only made of individual plant performances but, most importantly, of worldwide services provided to strategic customers.

Accounting policies relating to each geographic operating segment are identical to those used for the purposes of the consolidated financial statements. Intersegment sales are made at values which approximate those prevailing in the markets serviced. The point of origin (the location of the selling organization) of revenues and the location of the assets determine the geographic areas.

(Tabular amounts are expressed in thousands of Canadian dollars.)

13. Segmented information (continued):

	2000	1999	1998
Geographical Activities			
Revenue:			
Canada			
Domestic	$ 874,859	$ 207,383	$ 84,464
Export	167,842	98,277	41,419
Intersegment transfers	350,680	44,995	12,336
	1,393,381	350,655	138,219
United States of America	1,050,434	604,423	337,434
Europe	443,715	248,159	178,458
Asia	15,989	10,855	1,208
Intersegment transfers	291,211	142,963	33,493
	1,801,349	1,006,400	550,593
	3,194,730	1,357,055	688,812
Elimination of intersegment transfers	(641,891)	(187,958)	(45,829)
Total revenue	$ 2,552,839	$ 1,169,097	$ 642,983
Earnings from operations:			
Canada	$ 158,203	$ 44,563	$ 14,386
United States of America	84,143	42,989	31,514
Europe	36,958	11,276	1,072
Asia	1,290	1,493	(73)
	280,594	100,321	46,899
Elimination of intersegment transfers	(42,762)	(9,447)	1,267
Total earnings from operations	$ 237,832	$ 90,874	$ 48,166

13. Segmented information (continued):

	2000	1999
Capital assets:		
Canada	$ 157,854	$ 52,374
United States of America	169,300	83,209
Europe	55,962	45,017
Asia	12,361	7,430
Total capital assets	$ 395,477	$ 188,030
Goodwill:		
Canada	$ 377,900	$ 104,922
United States of America	648,300	52,331
Europe	70,336	71,378
Asia	1,829	1,909
Total goodwill	$ 1,098,365	$ 230,540

Customer revenues by destination for the year ended December 31 were:

	2000	1999	1998
Canada	$ 936,886	$ 317,700	$ 103,500
United States	1,130,144	585,800	354,900
Europe	405,533	221,300	151,500
Asia	80,276	44,297	33,083
Total	$ 2,552,839	$ 1,169,097	$ 642,983

(Tabular amounts are expressed in thousands of Canadian dollars.)

14. Net change in operating assets and liabilities, net of acquisitions:

	2000	1999	1998
Short-term investments	$ 2,971	$ –	$ –
Trade receivables	(248,214)	(81,019)	(50,725)
Income taxes receivable	(7,656)	2,351	(1,344)
Inventories	(225,753)	(51,533)	(9,294)
Prepaid expenses	(5,744)	357	4,765
Accounts payable	(8,078)	43,213	57,938
Accrued payroll and other accrued liabilities	69,871	10,271	(7,571)
Income taxes payable	41,606	15,729	(3,773)
	$ (380,997)	$ (60,631)	$ (10,004)

15. Canadian and United States accounting differences:

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied in Canada. The significant differences between Canadian and United States GAAP and their effect on the consolidated financial statements of the Company are described below:

Consolidated statements of earnings:

The following table reconciles net earnings as reported in the accompanying consolidated statements of earnings to net earnings that would have been reported had the consolidated financial statements been prepared in accordance with United States GAAP (adjustments, where appropriate, are net of related future income tax (recovery) expense totaling ($493,000), $2,511,000 and ($3,375,000) respectively for the years ended December 31, 2000, 1999 and 1998.

15. Canadian and United States accounting differences (continued):

	2000	1999	1998
Net earnings for the period in accordance with Canadian GAAP	$ 132,758	$ 45,172	$ 25,418
Financial instruments (a)	452	2,520	(2,363)
Start-up costs capitalized (b)	594	398	(2,915)
Deferred foreign exchange gain (loss) on long-term monetary items (c)	(1,965)	1,585	(618)
Net earnings for the period in accordance with United States GAAP	131,839	49,675	19,522
Other comprehensive income:			
Foreign currency cumulative translation adjustment	3,463	(14,342)	8,163
Comprehensive income for the period in accordance with United States GAAP	$ 135,302	$ 35,333	$ 27,685
Earnings per share:			
Basic	$ 1.77	$ 0.83	$ 0.37
Diluted	1.72	0.81	0.36

(Tabular amounts are expressed in thousands of Canadian dollars.)

15. Canadian and United States accounting differences (continued):

The application of US GAAP would have the following effects on the consolidated balance sheet captions as reported:

	2000		1999	
	Canada	US	Canada	US
Assets				
Future income taxes - current (d)	$ 33,515	$ 33,131	$ 14,623	$ 14,555
Other assets (a) (b) (c)	24,100	20,440	10,526	8,010
Future income taxes - long-term (d)	33,340	35,107	7,545	8,577
Goodwill (a)	1,098,365	1,098,191	230,540	230,540
Shareholders' Equity				
Retained earnings	267,637	265,186	134,879	133,327

15. Canadian and United States accounting differences (continued):

The areas of material differences between Canadian and United States GAAP and their impact on the consolidated financial statements are described as follows:

(a) Under United States GAAP, derivative financial instruments used to hedge the risks associated with future cash flows in foreign currency that are not subject to firm commitments are required to be marked to market and included in the determination of net earnings for the current period. As a result, under United States GAAP, the Company will record a charge or gain, net of income taxes in earnings to reflect this mark to market. Under Canadian GAAP, these derivative financial instruments are considered as hedges for the future cash flows and are off balance sheet until their maturity. In 2000, the Company would have recorded an other asset of $268,000 and a corresponding credit to goodwill (net of $94,000 of future income taxes) under United States GAAP to reflect the mark to market of derivatives existing at the acquisition of DY4 Systems Inc.

(b) Under United States GAAP, start-up costs of entering a new business activity should be charged to earnings as incurred. Under Canadian GAAP, certain costs related to entering a new business activity can be deferred until producing activities of this new business commence. As a result, the costs capitalized in the period under Canadian GAAP less the amortization for that period, net of income taxes, are charged against earnings.

(c) Under Canadian GAAP, gains or losses arising from translations of foreign currency denominated long-term monetary items that have a fixed or ascertainable life are deferred and amortized over the remaining life of these monetary items. Under United States GAAP, these gains or losses would be included in the determination of net earnings of the current period.

(d) Represents the related future income tax effect of the adjustments mentioned above.

Five-Year Review

(In thousands of dollars, except per common share data)

Fiscal years ended December 31	**2000**	1999	1998	1997	1996
Revenue	**2,552,839**	1,169,097	642,983	413,055	316,219
Earnings from operations before depreciation and amortization (EBITDA)	**281,902**	113,718	60,007	43,013	32,945
Amortization of capital and other assets	**44,070**	22,844	11,841	8,671	8,258
Earnings from operations	**237,832**	90,874	48,166	34,342	24,687
Net earnings before goodwill amortization	**148,480**	49,032	26,760	20,366	14,738
Net earnings	**132,758**	45,172	25,418	20,252	14,694
Cash from earnings	**196,759**	73,779	47,077	29,307	22,931
Basic net earnings before goodwill amortization per share	**1.99**	0.82	0.51	0.39	0.29
Basic net earnings per share	**1.78**	0.76	0.49	0.39	0.29
Basic weighted average number of outstanding common shares (in thousands)	**74,558**	59,830	52,082	51,594	51,524
Working capital	**941,235**	324,907	190,207	85,118	70,130
Long term debt (including current portion)	**306,014**	213,361	136,877	15,560	4,886
Shareholders' equity	**2,152,478**	527,251	261,383	153,236	130,713
Total assets	**3,029,968**	1,061,503	591,846	258,498	205,540

Quarterly Results

(In thousands of dollars, except per common share data)

	First		Second		Third		Fourth	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999
Revenue	**415,223**	241,917	**578,730**	256,239	**702,608**	279,220	**856,278**	391,721
Earnings from operations before depreciation and amortization (EBITDA)	**41,052**	19,284	**61,421**	23,125	**77,913**	28,796	**101,516**	42,513
Earnings from operations	**33,677**	14,027	**51,720**	17,880	**66,604**	23,307	**85,831**	35,660
Net earnings before goodwill amortization	**18,376**	7,662	**27,717**	9,549	**41,611**	12,446	**60,776**	19,375
Net earnings	**16,711**	6,867	**24,213**	8,942	**37,460**	11,618	**54,374**	17,745
Basic net earnings before goodwill amortization per common share	**0.27**	0.13	**0.41**	0.16	**0.54**	0.21	**0.72**	0.31
Basic net earnings per share	**0.25**	0.12	**0.36**	0.15	**0.48**	0.20	**0.64**	0.28

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Fax: +61 (7) 5591 9547

(1) Sales Office
(2) Design Center

Board of Directors

Dennis Wood, CM (3)
Chairman of the Board
President and Chief Executive Officer
C-MAC Industries Inc.
Montréal (Québec)

André J. Boutin (1)
Consultant
Saint-Lambert (Québec)

The Honorable
Edward C. Lumley p.c. (3)
Vice Chairman
BMO Nesbitt Burns
Toronto, Ontario

Brenda T. Norris (2)
President
McCord Street Sites Inc.
Montréal (Québec)

Jean Pierre Ouellet (1) (2) (3)
Vice Chairman
RBC Dominion Securities Inc.
Montréal (Québec)

Ronald T. Riley (1) (3)
Vice President
LBG Capital
A Division of National Bank Financial
Montréal (Québec)

Richard Royer (2)
President
Kanitek Inc.
Sherbrooke (Québec)

Christopher Wood (3)
President
Blue Mountain Wallcoverings
Toronto, Ontario

(1) - Member of the Audit Committee
(2) - Member of the Human Resources and Corporate Governance Committee
(3) - Member of the Strategic Planning Committee

Officers

Dennis Wood, CM
Chairman of the Board
President and Chief Executive Officer

Brian H. Antell
Chief Operating Officer
President, MicroTechnology

Anthony Byk
Vice President
President, Electronic Components

Suzanne M. Gunther
Vice President
Strategic Development

Peter Kielstra
Vice President, Engineering

Robert Langlois
Chief Information Officer

Denis Marchand
Vice President
General Manager, Automotive Business Unit

Claude Michaud
Vice President and
Chief Financial Officer

John Naismith
Executive Vice President
Global Supply Chain Management

Michael Provencher
Chief Legal Officer
Corporate Secretary

Rick Rollinson
Vice President
President, Electronic Manufacturing Services

Normand Sabourin
Treasurer

Roch Asselin
Corporate Controller

Transfer Agent and Registrar

General Trust of Canada
Montréal, Halifax, Calgary, Winnipeg,
Toronto, Vancouver

Bank of New York

Auditors

KPMG LLP
Montréal (Québec)
Canada

Stock Exchange Listings

Toronto (CMS)
New York (EMS)

Annual Meeting of Shareholders

The Annual Meeting will be held on Thursday, May 3, 2001 at 10:00 a.m., at the Omni Hotel, 1050 Sherbrooke Street West, Montréal (Québec)

Annual Notice and Other Information

A copy of the Annual Notice filed with the Securities Commissions of certain provinces of Canada and of the documents filed with the Securities and Exchange commission in Washington D.C., USA, along with other information about the Corporation, is available upon request by writing to:

The Corporate Secretary

C-MAC Industries Inc.
1010 Sherbrooke Street West, Suite 1610
Montreal, Quebec Canada H3A 2R7

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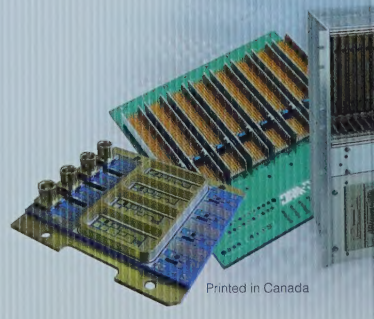

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